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SUBJECT: CINGULAR WIRELESS - BARBADOS HOLDS UP SALE TO
DIGICEL OVER NETWORK CODE ISSUE

REF: 05 BRIDGETOWN 1480

1. (SBU) Summary: The Government of Barbados has demanded all cellular phone companies adopt the Barbados specific Home Network Indicator (HNI) Code. By doing so prior to the approval of the pending sale of Cingular's Barbados business to Digicel, the government will force Cingular to comply by A) making a very expensive and unnecessary business change or B) stop marketing and selling Cingular in the country. Cingular struck a deal in June 2005 to sell its Caribbean business to Irish company Digicel. Nine of the ten Caribbean governments involved have approved the sale, leaving Barbados as the only country holding up Cingular's exit from the Caribbean market. Ambassador Kramer met with two Cingular representatives on January 26 and set up a meeting for them with a top technology advisor to the Prime Minister so the company can lobby for the deal's approval. End Summary.

2. (SBU) Ambassador Kramer met with Jonathan Koshar, head of Cingular in Barbados, and Stephanie Bariault, Cingular VP and General Manager of Caribbean Services, on January 26 to discuss the Barbados government's insistence that Cingular switch from using a U.S. Home Network Indicator (HNI) to a Barbados HNI before the company can sell its Barbados operation to Digicel. (Note: Cingular struck a deal to sell its Caribbean business to Digicel in June 2005, pending government approval in each island with a Cingular presence (reftel). Antigua and Barbuda, Anguilla, Bermuda, the Cayman Islands, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines have all approved the sale, leaving Barbados as the only country holding up Cingular's exit from the Caribbean market. End Note.)

What is an HNI?

3. (U) An HNI is a code programmed into a mobile phone that identifies which network the phone uses as its home network. This code is highly technical and has no effect on customer service. Cingular has been using a United States HNI because it is cheaper and allows the company to pass along savings to its customers.

Why the Government Wants the Change

4. (SBU) The Barbados government has repeatedly demanded that Cingular (and previously AT&T before Cingular bought their Caribbean operation) change from using a U.S. HNI to a Barbados HNI as a matter of national sovereignty and to

better audit calls to ensure Cingular is paying the proper taxes on roaming charges. (Comment: According to Cingular, accounting company PriceWaterhouseCoopers thoroughly audits Cingular's Barbados operation and the government has no reason to believe it is being shorted on taxes. End Comment.) Reportedly, the former monopoly telecom company in Barbados, Cable and Wireless, uses the Barbados code and has lobbied the government to force its two competitors to make the expensive conversion to the Barbados code, so that C&W can gain competitive advantage.

Why Cingular Cannot Make the Change

15. (SBU) Since Cingular is leaving the region, the company has zero incentive to invest in Barbados. Therefore, the company's only option is to comply with the GOB ruling by closing its sales and marketing operation and not taking any new customers. This means the company will have to shut down three stores on the island and lay off about twenty workers. The Cingular representatives made clear to the Ambassador that their company is leaving Barbados under any circumstance.

What are the Interests?

16. (SBU) Cingular just wants out of Barbados. Digicel is an ally of Cingular in this fight because Digicel also does not want to change its HNI. The Cingular representatives said Digicel might take legal action against the government to avoid the expensive conversion to a Barbados HNI. The

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government apparently agrees with the sale of Cingular to Digicel in principle, but is using it as leverage to force the two companies to adopt a Barbados HNI. Barbados has taken the attitude that, as a sovereign country, it can and should force mobile phone companies to use the Barbados code, regardless of economic impact.

Next Steps

17. (SBU) The Ambassador set up a meeting for the Cingular representatives to talk with a senior technology advisor to the Prime Minister. This advisor is known for his influence and knowledge of technology issues, and could help Cingular get its message across to the government. Post will continue to monitor this issue and help Cingular lobby the Barbados government for a reasonable solution if necessary.

18. (SBU) Comment: Cingular will make the case to the government that fighting one company over HNI (Digicel) is easier than fighting two (Digicel and Cingular). The advisor agreed to give Cingular a sense of who to lobby and how to present its case. The Cingular representatives said one of the reasons the company is pulling out of the Caribbean is precisely because they have had to deal with issues like this that have made doing business here a constant struggle. End Comment.

KRAMER